

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 NEA-10 IO-11 H-02 L-03 PA-01

PRS-01 EB-07 NSC-05 NSCE-00 OMB-01 SP-02 SS-15 CIAE-00

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P R 250900Z FEB 76

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 2439

INFO AMEMBASSY TOKYO

C O N F I D E N T I A L MANILA 2703

USADB

LIMDIS

PASS TREASURY FOR BUSHNELL/ZINMAN

E. O. 11652: GDS

TAGS: EAID, EFIN

SUBJECT: ADB VICE PRESIDENT'S RETIREMENT

REF: (A) TREASURY 76-11, (B) TOKYO 2609, (C) MANILA 2057,
(D) TREASURY 131659Z FEB 76, (E) MANILA 2301, (F) ROME 2108

1. RE REF A, PARA 1 REGARDING FIRST MENTIONED CONCERN, ADB PRESIDENT REITERATED PRIVATELY ON 23 FEBRUARY THAT REAPPOINTMENT OF VICE PRESIDENT IN MARCH FOR TERM TO INCLUDE ABOUT ONE YEAR UNDER NEW PRESIDENT IS, IN HIS VIEW, ESSENTIAL AND VITAL TO (A) MAINTAIN MANAGEMENT CONTINUITY AND CONTROL AND (B) PROVIDE NEW PRESIDENT WITH APPROPRIATE ASSISTANCE IN TRANSITIONAL PERIOD. IN PRESIDENT'S JUDGMENT, SECRETARY (SRI LANKAN) WHO WOULD BE NEXT IN RANK WOULD NOT BE ABLE TO MANAGE BANK ACTIVITIES EFFECTIVELY AND COORDINATE WORK OF DEPARTMENT DIRECTORS. ALSO, TEMPORARY APPOINTMENT OF ONE OF DEPARTMENT DIRECTORS SUCH AS DIRECTOR OF
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OPERATIONS (AUSTRALIAN) IS NOT, IN ADB PRESIDENT'S

JUDGMENT, A WORKABLE ALTERNATIVE. ADB PRESIDENT SAID THAT IF A MAJOR COUNTRY SUCH AS UNITED STATES WERE TO OPPOSE OR EXPRESS SERIOUS DOUBTS, HE FEARS KRISHNA MOORTHY WOULD FIND IT DIFFICULT TO ACCEPT REAPPOINTMENT. THIS IN HIS JUDGMENT WOULD BE DETRIMENTAL TO BANK OPERATIONS DURING TRANSITIONAL PERIOD. ON SECOND CONCERN, ADB PRESIDENT UNDERSTANDS THAT VICE PRESIDENT DOES NOT BELIEVE THAT THERE IS HIGH PROBABILITY IFAD POST WILL BE OFFERED TO HIM CONSIDERING AVAILABILITY OF OTHER CANDIDATES. ADB PRESIDENT SAID RATHER POOR STATUS OF KRISHNA MOORTHY'S HEALTH WOULD PROBABLY PREVENT HIM FROM ACCEPTING A NEW MORE DEMANDING POSITION. (USADB UNDERSTANDS THAT KRISHNA MOORTHY MAY BE DIABETIC AND HAVE HIGH BLOOD PRESSURE COMPLICATED BY A WEIGHT PROBLEM.) ADB PRESIDENT SAID KRISHNA MOORTHY BELIEVES THAT HE DOES NOT HAVE TOO MANY YEARS LEFT TO LIVE AND ADB PRESIDENT BELIEVES VICE PRESIDENT IS SINCERE ABOUT PLANS TO RETIRE. ADB PRESIDENT STATED THAT HE HAS RECEIVED SUPPORT FROM DIRECTORS REPRESENTING JAPAN, UK, GERMANY, FRANCE, INDONESIA, AND KOREA AND HOPES US CAN SUPPORT HIS JUDGMENT OF NEED TO RETAIN VICE PRESIDENT FOR TRANSITIONAL PERIOD. AUSTRALIAN ALTERNATE DIRECTOR (IN ABSENCE OF HIS DIRECTOR) PRIVATELY INDICATED SUPPORT FOR ADB PRESIDENT'S PROPOSAL.

2. RE REF A, PARA 2, WHICH REQUESTS COMMENTS ON PROS AND CONS OF KRISHNA MOORTHY'S INCUMBENCY. ON POSITIVE SIDE, VICE PRESIDENT IS UNANIMOUSLY RESPECTED FOR MANAGERIAL, ADMINISTRATIVE AND TECHNICAL COMPETENCE AND FOR HIS WILLINGNESS AND CAPACITY TO WORK. ON NEGATIVE SIDE, HE IS MOST OFTEN CHARACTERIZED AS OVERLY DOMINEERING AND AUTHORITARIAN TO EXTENT THAT DIFFERENT VIEWS ARE NOT TOLERATED OR ENCOURAGED, WHICH RESULTS IN LOSS OF POTENTIALLY STRONG STAFF MEMBERS, PRESENTS MORALE PROBLEMS AND LEADS TO ACCUMULATION OF ONLY ACCOMMODATING PROFESSIONALS. THIS IN TURN REQUIRES MORE DETAILED SUPERVISION BY VICE PRESIDENT PERSONALLY AND RESULTS IN POSTPONEMENT AND DELAYS IN PROCESSING BOARD PAPERS AS BANK ACTIVITIES EXPAND. DESPITE THESE

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VIEWS, THERE ARE MANY WHO BELIEVE THAT IN ABSENCE OF KRISHNA MOORTHY BANK STAFF WOULD RISE TO CHALLENGE OF NEW AUTHORITY AND RESPONSIBILITY AND BE ABLE TO HANDLE NORMAL BANK OPERATIONS WITHOUT SERIOUS ADVERSE EFFECTS FOR AN INTERIM PERIOD BECAUSE STAFF HAS SUFFICIENT EXPERIENCE AND IN VIEW OF CONSIDERABLE PIPELINE OF ONGOING WORK. THE RISK IS WHETHER DEPARTMENT DIRECTORS OF EQUAL RANK AND WITHOUT PREVIOUS TOP DECISION-

MAKING EXPERIENCE CAN BE REASONABLY EXPECTED TO RESOLVE QUICKLY AND HARMONIOUSLY DIFFERENCES OF OPINIONS OF THEIR RESPECTIVE STAFFS FROM OVERALL BANK VIEWPOINT AND OBJECTIVES WHILE SIMULTANEOUSLY CONCERNING ON PERFORMANCE IN THEIR SPECIAL AREAS OF RESPONSIBILITY. SOME DIRECTORS WHO SUPPORT ADB PRESIDENT PROPOSAL PRIVATELY SAY THEY DO NOT SUPPORT KRISHNA MOORTHY BUT AGREE ALTERNATIVES FOR INTERIM PERIOD DO NOT APPEAR PRACTICABLE. THEY WOULD LIKE TO SEE THREE VICE PRESIDENT POSITIONS ESTABLISHED EITHER BEFORE OR AFTER DEPARTURE OF VICE PRESIDENT.

3. USADB HAS NO ADDITIONAL COMMENTS OR OBSERVATIONS ON POSSIBILITY OF KRISHNA MOORTHY'S RESIGNING AFTER REAPPOINTMENT TO ACCEPT IFAD OR OTHER POST. JAPANESE DIRECTOR SAID THAT HE HAD NO INFORMATION ON LIKELIHOOD OF KRISHNA MOORTHY'S BEING ELECTED FOR IFAD POST OR ON POSSIBILITY OF HIS RESIGNATION AFTER REAPPOINTMENT. (JAPANESE DIRECTOR WAS AWARE OF EMBASSY TOKYO'S INTERVENTION PER REF B.)

4. RE REF A, PARA 3, THERE APPEAR TO BE NO OBVIOUS CANDIDATES ON BANK STAFF TO REPLACE KRISHNA MOORTHY. AS INDICATED, EVEN IF THERE WERE POTENTIALLY CAPABLE STAFF MEMBERS, IT WOULD BE DIFFICULT TO KNOW WHO THEY MIGHT BE, GIVEN KRISHNA MOORTHY'S PARTICULAR OPERATING STYLE. THERE SEEMS TO BE GENERAL AGREEMENT THAT SECRETARY IS NOT CAPABLE OF ASSUMING VICE PRESIDENT'S POSITION EVEN FOR A TEMPORARY PERIOD. COMMENTS ON DIRECTOR OF OPERATIONS ARE THAT HE IS NOT LIKELY TO BE ABLE TO WORK COOPERATIVELY AS PART OF BANK TEAM. OTHER DIRECTOR-LEVEL CADRE ARE NOT REPEAT NOT CONSIDERED POTENTIALLY SUITABLE.

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5. USADB BELIEVES THAT ADB PRESIDENT'S PROPOSAL SHOULD BE SUPPORTED UNLESS THERE ARE OTHER REASONS TO OPPOSE REAPPOINTMENT OF VICE PRESIDENT FOR ABOUT ONE YEAR UNDER NEW PRESIDENT, GIVEN ADB PRESIDENT'S JUDGMENT THAT IT IS ESSENTIAL FOR BANK MANAGEMENT AND NECESSARY TO PROVIDE NEW PRESIDENT WITH EXPERIENCED ASSISTANCE AND COUNSEL DURING INITIAL PERIOD.

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